

Message Text

SECRET

PAGE 01 BONN 20359 01 OF 02 161844Z

42

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W

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R 161816Z DEC 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5145

S E C R E T SECTION 01 OF 02 BONN 20359

EXDIS

PASS TREASURY AND DEFENSE

E.O. 11652: GDS

TAGS: PFOR, MARR, GW, US

SUBJECT: OFFSET NEGOTIATIONS

1. OFFSET TEAM VINE, SHIELDS, AND NENSEL MET

TODAY WITH THE FRG REPRESENTATIVES MUEHLEN AND FETT
OF THE FOREIGN OFFICE AND MAY OF THE FINANCE MINISTRY.

2. AS WE IMAGINED, THE GERMANS HAD A NARROW BRIEF

WITH LITTLE FREEDOM OF MANEUVER. ON THE OTHER HAND,
WE WERE SURPRISED AND PLEASED AT THE GENERALLY AMIABLE
AND CONSTRUCTIVE TONE THAT WAS ESTABLISHED FROM THE
OUTSET.

3. IT NOW SEEMS CLEAR TO US THAT CHANCELLOR

SCHMIDT'S OBJECTIVE IS TO ASSURE THAT PAYMENTS
THROUGH REGULARLY SCHEDULED AGREEMENTS FOR "OFFSET",
NOT BE CONTINUED. WE GENERALLY BELIEVE THAT HE
IS NARROWLY DEFINING OFFSET TO MEAN PAYMENTS TO
EQUALIZE FOREIGN EXCHANGE COSTS NECESSITATED BY
THE SIGNIFICANT DRAIN ON THE US BALANCE OF PAYMENTS
DURING A PERIOD WHEN FIXED EXCHANGE RATES WERE
IN FORCE. THE GERMAN BRIEF WAS DESIGNED CAREFULLY
TO EXCLUDE PAYMENTS BASED ON THIS CRITERIA. ON
THE OTHER HAND, MUEHLEN, IN HIS OPENING REMARKS,

SECRET

SECRET

PAGE 02 BONN 20359 01 OF 02 161844Z

WAS EXPLICIT IN THE RECOGNITION OF BURDEN-SHARING

AS A CONTINUING RESPONSIBILITY IN THE MULTILATERAL CONTEXT AND IN THE FRG'S CONTINUED RECOGNITION OF ITS RESPONSIBILITIES FOR THE FACILITATION OF TROOPS STATIONED IN THE FRG.

4. WHEN QUERYING OUR PRESENTATION, MUEHLEN ZEROED IN ESPECIALLY ON WHAT HE TERMED THE SIGNIFICANT ELEMENTS WHICH WE HAD OUTLINED FOR POSSIBLE INCLUSION IN A SUCCESSOR "ARRANGEMENT". THESE ELEMENTS, SAID HE, SUGGESTED SIMPLY A CONTINUATION OF PAST OFFSET AGREEMENTS UNDER ANOTHER NAME. WE POINTED OUT THAT THE EMPHASIS, ON THE CONTRARY, WAS ON GERMAN COMMITMENTS TO STRENGTHEN FORCE POSTURE AND TO FACILITATE US STATIONING IN THE FRG. MUEHLEN INQUIRED WHETHER THE FORMAT WE ENVISAGED WOULD INVOLVE NEW FINANCIAL COMMITMENTS FOR THE FRG. WE CITED THE LARGE ADDITIONAL COSTS TO THE U.S. OF STATIONING TROOPS IN THE FRG AND CONSIDERED THAT SOME ADDITIONAL COMMITMENTS WOULD BE NECESSARY TO MEET THE CONGRESSIONAL PROBLEM. WE CITED AS AN EXAMPLE NORTHAG FINANCING, WHICH WE VISUALIZED AS A ONE-TIME COMMITMENT FOR INSTALLATION COSTS, NOT AS A CONTINUING COMMITMENT FOR MAINTENANCE. WE FURTHER CITED BARRACKS REHABILITATION EXPENDITURES, WHICH HAD HAD TREMENDOUS SUCCESS IN IMPROVING TROOP MORALE AND QUIETING CONGRESSIONAL PRESSURES. ON THE OTHER HAND, WE INDICATED THAT WE WERE NOT SEEKING NEW COMMITMENTS FOR PROCUREMENT ABOVE AND BEYOND THOSE PRESENTLY PROGRAMMED BY THE DEFENSE MINISTRY.

NOTE BY OC/T: NOT PASSED TREASURY AND DEFENSE.

SECRET

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SECRET

PAGE 01 BONN 20359 02 OF 02 161827Z

45

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----- 057424

R 161816Z DEC 75

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SECRET SECTION 02 OF 02 BONN 20359

EXDIS

5. WE EMPHASIZED THE CONGRESSIONAL PROBLEM AND THE NEED TO FIND A PRESENTATION WHICH WOULD EMPHASIZE THIS CHANGING THRUST AND SUGGESTED OUR WILLINGNESS TO HAVE AN ARRANGEMENT FOR A CONSIDERABLY LONGER PERIOD, E.G., FIVE YEARS WHICH WOULD REDUCE THE NEED FOR BI-ANNUAL HAGGLING.

6. THE GERMANS, CLEARLY UNINSTRUCTED, NEVERTHELESS SHOWED INTEREST IN THE POSSIBILITY OF SOME KIND OF JOINT STATEMENT OR ARRANGEMENT WHICH WOULD SIGNAL THE END OF PAYMENTS ON BALANCE OF PAYMENTS GROUNDS BUT AT THE SAME TIME WOULD SIGNAL THEIR WILLINGNESS TO WORK CLOSELY WITH US ON STEPS FOR FORCE IMPROVEMENT AND THE FACILITATION OF STATIONING OF AMERICAN TROOPS IN THE FRG. THEY ARE OBVIOUSLY RELUCTANT TO ENTER INTO AN AGREEMENT WHICH STIPULATES PRECISE FIGURES ON COMMITMENTS. ON THE OTHER HAND, THEY SEEM PREPARED TO STIPULATE SPECIFIC PROJECTS WHICH MIGHT FALL UNDER A SUCCESSOR ARRANGEMENT.

7. THEY ALSO GAVE US A TEXT OF A DRAFT STATEMENT WHICH CALLED IN UNEQUIVOCAL TERMS FOR THE END OF OFFSET. AT FIRST BLUSH, WE FIND IT UNACCEPTABLE. THE GERMANS, HOWEVER, HAVE ASKED US FOR A REACTION TO IT AND WE MIGHT FIND IT A CONVENIENT VEHICLE FOR ENGAGING IN CONTINUING DISCUSSIONS. BY THE SAME TOKEN, WE CONVINCED THE WORKING LEVEL GERMANS THAT A COMMON

SECRET

SECRET

PAGE 02 BONN 20359 02 OF 02 161827Z

GUIDANCE ON THIS ISSUE WAS DESIRABLE SO THAT THEY AND WE WOULD BE HANDLING MATTERS WITH THE PUBLIC, BUNDESTAG, AND THE CONGRESS IN SIMILAR FASHION. WE LEFT THEM A DRAFT GUIDANCE WHICH THEY UNDERTOOK TO REACT TO THROUGH DIPLOMATIC CHANNELS AND WHICH, IN OUR JUDGMENT, IS ANOTHER VEHICLE FOR ENGAGING THEM IN SUBSTANTIVE DISCUSSIONS.

8. MUEHLEN AND MAY UNDERTOOK TO REPORT OUR PRESENTATION TO THEIR SUPERIORS AND TO CHANCELLOR SCHMIDT AND PROMISED TO SUPPLY A REACTION TO IT.

9. ON THE WHOLE, WE ARE REASONABLY SATISFIED THAT A BASIS FOR FURTHER DISCUSSION HAS BEEN ESTABLISHED.
HILLENBRAND

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